

April 14, 2010

ITEM NO. B4

AUTHORIZATION TO 1) SUBMIT A MIXED-FINANCE PROPOSAL, EVIDENTIARIES, AND DISPOSITION APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD); 2) COMMIT HOPE VI PERMANENT LOAN FUNDS OF UP TO APPROXIMATELY \$16,000,000, CFRC GRANT PERMANENT LOAN FUNDS OF APPROXIMATELY \$6,212,783, AND CFRC GRANT BRIDGE LOAN FUNDS OF APPROXIMATELY \$1,125,000 FOR THE WEST END PHASE II RENTAL ON-SITE REDEVELOPMENT; 3) EXECUTE A GROUND LEASE WITH EAST LAKE/WEST END LLC FOR THE ROCKWELL LAND COMPRISING THE PHASE II RENTAL SITE; AND 4) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING.

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit HOPE VI permanent loan funds of up to approximately \$16,000,000, CFRC Grant permanent loan funds of approximately \$6,212,783, and CFRC Grant bridge loan funds of approximately \$1,125,000 to the West End Phase II rental on-site redevelopment; 3) Execute a ground lease with East Lake/West End LLC for the Rockwell land comprising the West End Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

FUNDING

HOPE VI and other funds

Redevelopment

M/W/DBE Participation:

Direct: 29% MBE 11% WBE ____% DBE

Indirect: ____% MBE ____% WBE ____% DBE

Waiver ____ (Yes/No)

Section 3:

(12) Hiring () Subcontracting () Other Economic Opportunities

EXPLANATION

Program Overview: The overall Rockwell redevelopment plan, as part of the Chicago Housing Authority (“CHA”) Plan for Transformation Program, provides for the development of approximately 780 new units of mixed-income rental and for-sale housing. The total 780 units of housing will consist of approximately 66% rental housing and 33% for-sale housing. East Lake/West End LLC entered into a development agreement with the CHA to develop 690

units of those units in a development named West End. Phase I of this development (divided into two construction sub-phases, Phase IA and Phase IB) involved the development of 189 units of mixed-income rental and for-sale housing.

Development Entities: East Lake/West End LLC is the master developer of the 690-unit West End project. The sole member of East Lake/West End LLC is East Lake Management and Development Corporation. The Phase II rental development will be owned by East Lake/West End II, LP. East Lake/West End II, LP is comprised of East Lake/West End LLC as the general partner and an entity affiliated with Alliant Capital, Ltd. as the limited partner. The limited partner will own 99.99% of East Lake/West End II, LP.

West End Phase II Development Summary: The West End Phase II development will create 112 units of mixed income rental housing and a community park. The 112 rental units will be comprised of 65 ACC/Low Income Housing Tax Credit (“LIHTC”), 33 affordable (LIHTC), and 14 market-rate units. Of the 65 units set aside for public housing residents, there will be 5 one bedroom, 7 two bedroom, 45 three bedroom, and 8 four bedroom units.

This phase will be located in an area generally bounded by South Campbell Street to the east, West Van Buren Street to the south, South Maplewood Avenue to the west, and West Adams Street to the north, with the new proposed park located at the northwest corner of South Maplewood Avenue and West Jackson Boulevard. The West End redevelopment was designed to reincorporate smaller, pedestrian-friendly street blocks and architecture compatible with that of the surrounding neighborhood. As part of the redevelopment, new streets, alleys, and utilities will be constructed by the Chicago Department of Transportation to support the new housing development. The building features in Phase II continue this objective by complementing what was constructed in Phase I.

This Phase will contain a total of twenty-two 3-flats, 4-flats, 6-flats, and 10-flat structures offered through seven different building types. The buildings will be constructed of brick masonry with full brick exteriors on all sides. The building types and unit types will be mixed throughout each block, with a solid mix of ACC, affordable, and market rental units in each block, in efforts to create a strong, mixed income rental community. Each building type and unit will be constructed with the same quality and materials so that each unit will be indistinguishable between income levels.

Financing:

The total development budget for West End Phase II Rental will be approximately \$39,248,910 and is expected to be funded by the approximate following sources of permanent financing:

- (1) **\$1,369,979 First Mortgage:** The Private Bank plans to provide the permanent first mortgage loan in the approximate amount of \$1,369,979 with a fixed interest rate projected to be 30 day LIBOR plus 350 basis points. It will be forward locked for a term of 24 months at the time of closing. The loan will have a 15 year term and a 30-year amortization period.
- (2) **\$14,372,002 CHA HOPE VI Loan:** CHA will loan approximately \$14,372,002 of HOPE VI, General and/or other funds to the project for a term of approximately 40 years plus the construction period, bearing interest at a rate of zero percent or at a rate to be determined.

- (3) **\$6,212,783 CHA CFRC Loan:** Of the total \$7,337,783 Capital Fund Recovery Competition (“CFRC”) Grant amount awarded to CHA for the West End Phase II development, \$6,212,783 will be loaned to the project with a term of approximately 40 years plus the construction period, bearing an interest rate of zero per cent or a rate to be determined. The remaining \$1,125,000 CFRC funds will be provided in the form of a CHA bridge loan. The City of Chicago will provide a Tax Increment Financing (“TIF”) Note, collateralized by future increment generated from the designated Midwest Redevelopment Area in which this entire development is located.
- (4) **\$1,125,000 TIF Loan:** \$1,125,000 loan collateralized by future TIF increment from the Midwest Redevelopment Area. CHA plans to use the CFRC funds in the amount of \$1,125,000 as a bridge loan for the TIF Note to be issued by the City of Chicago. The bridge loan will be repaid to CHA by the City of Chicago with annual tax increment payments until fully repaid.
- (5) **\$16,169,146 LIHTC Tax Credit Equity:** The LIHTC tax credit investor, created by Alliant Capital, Ltd., will provide equity in the approximate amount of \$16,169,146. Equity will be generated by the syndication of approximately \$2,215,173 FY2010 LIHTCs from the following two sources: a) \$715,173 - City of Chicago Department of Community Development (“DCD”); b) \$1,500,000 - Illinois Housing Development Authority (“IHDA”). The equity amount is based on a purchase price of \$0.73 per dollar for the ten year allocation.

Additional project sources include approximately \$6,293,243 in HOPE VI funds for demolition costs, acquisition, Receiver administrative fees and other project costs plus Capital funds in the amount of \$1,500,000 for remediation costs. An amount of \$721,786 in HOPE VI funds has been disbursed to date to the Developer for eligible predevelopment costs in accordance with the predevelopment loan in the total amount of up to \$965,998. The predevelopment loan will be repaid from equity at closing.

Based on the foregoing, it is in the best interest of the Chicago Housing Authority to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit HOPE VI permanent loan funds of up to approximately \$16,000,000, CFRC Grant permanent loan funds of approximately \$6,212,783, and CFRC Grant bridge loan funds of approximately \$1,125,000 to the West End Phase II rental on-site redevelopment; 3) Execute a ground lease with the ownership entity for the Rockwell land comprising the West End Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

RESOLUTION NO. 2010-CHA-45

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated, April 14, 2010, requesting authorization to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit HOPE VI permanent loan funds of up to approximately \$16,000,000, CFRC Grant permanent loan funds of approximately \$6,212,783, and CFRC Grant bridge loan funds of approximately \$1,125,000 to the West End Phase II rental on-site redevelopment; 3) Execute a ground lease with **East Lake/West End LLC** for the Rockwell land comprising the West End Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit HOPE VI permanent loan funds of up to approximately \$16,000,000, CFRC Grant permanent loan funds of approximately \$6,212,783, and CFRC Grant bridge loan funds of approximately \$1,125,000 to the West End Phase II rental on-site redevelopment; 3) Execute a ground lease with East Lake/West End LLC for the Rockwell land comprising the West End Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

